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Slovakia

Wine

Market Brief

2003

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Report Highlights: Consumer expenditures on wine have nearly doubled in Slovakia in the five past years and continued sales growth is expected. However, per capita wine consumption remains flat, indicating a move to higher quality. Total domestic consumption amounted to 600,000 hl in 2002, this corresponds to a wine consumption per capita of 11.1 liters per year. U.S. wines are just now beginning to make inroads into the market and Slovaks are expected to adopt western European levels of consumption, imports, and quality preferences in the coming years. U.S. companies interested in this market should approach hypermarkets and speciality wine importers and distributors (included in this report).

Includes PSD changes: No
Includes Trade Matrix: No
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Slovak Consumption Trends

Consumer expenditures on wine have nearly doubled in Slovakia in the five past years and continued growth is expected. Total domestic consumption amounted to 600,000 hl in 2002, this corresponds to a wine consumption per capita of 11.1 liters per year. U.S. wines are just now beginning to make inroads into the market and Slovakia is expected to adopt western European levels of consumption, imports, and quality preferences in the coming years.

Sales of Wine by Subsector: Total Volume 1997-2001

Million liters

	1997	1998	1999	2000	2001
Still red wine	19.1	20.8	21.4	21.2	20.7
Still white wine	26.8	27.0	26.9	27.0	27.6
Still rosé wine	0.5	0.6	0.6	0.6	0.7
Sparkling wine	8.4	8.9	9.4	9.5	10.1
- Champagne	0.1	0.1	0.2	0.3	0.4
- Other sparkling wine	8.4	8.8	9.2	9.2	9.7
Fortified wine and vermouth	0.3	0.3	0.3	0.4	0.4
Non-grape wine	--	--	--	--	--
Wine	55.1	57.5	58.7	58.7	59.5

Source: Official statistics, trade associations, trade press, trade interviews, Euromonitor estimates

Sales of Wine by Subsector: Total Value 1997-2001
Millions

	1997		1998		1999		2000		2001	
	SKK	\$	SKK	\$	SKK	\$	SKK	\$	SKK	\$
Still red wine	1,509	\$44.75	1,948	\$55.15	2,392.60	\$57.63	2,675	\$57.61	2,981	\$61.62
Still white wine	1,602	\$47.53	2,056	\$58.21	2,501.20	\$60.24	2,779	\$59.85	3,094	\$63.96
Still ros�� wine	78	\$2.31	90	\$2.55	101.3	\$2.44	109	\$2.35	117	\$2.42
Sparkling wine	1,068	\$31.67	1,268	\$35.89	1,508.40	\$36.33	1,940	\$41.77	2,201	\$45.49
- Champagne	125	\$3.71	178	\$5.04	247.4	\$5.96	337	\$7.26	411	\$8.50
- Other sparkling wine	943	\$27.97	1,090	\$30.85	1,261.00	\$30.37	1,603	\$34.52	1,790.00	\$37.00
Fortified wine and vermouth	39	\$1.16	47	\$1.33	55.6	\$1.34	56	\$1.22	55	\$1.14
Non-grape wine	--		--		--		--		--	
Wine	4,297	\$127	5,410	153	6,559	158	7,561	\$162.80	8,449	\$174.63
Source: Official statistics, trade associations, trade press, trade interviews, Euromonitor estimates										

Wine Sales by Type of Retail Outlet

Supermarkets/hypermarkets	11	21
Independent food stores	81	66.5
Convenience stores	0	0
Discounters	4.3	5.5
Specialists	1.7	5
Direct sales	0	0
Others	2	2
Total	100	100

Source: Euromonitor estimates

Advertising

Alcohol advertising on television, with the exception of beer, was illegal until the law was relaxed in 2001 as part of a drive to adopt EU norms. The long suffering Slovak wine industry now hopes that advertising will help increase domestic sales.

Consumers must be 18 years or over to buy alcohol in Slovakia, although this is not as strictly enforced as in some other countries. As in other Eastern European countries, the drunk-driving rules are very strict.

Consumer Expenditures on Alcoholic Drinks 1996-2000 (Millions)

	1996		1997		1998		1999		2000	
	SKK	\$	SKK	\$	SKK	\$	SKK	\$	SKK	\$
Beer	2,970	\$97	3,384	\$101	4,098	\$116	4,785	\$115	5,679	\$122
Spirits	2,101	\$69	2,353	\$70	2,609	\$74	2,993	\$72	3,409	\$73
Wine	1,604	\$52	1,917	\$57	2,338	\$66	2,561	\$62	3,033	\$65
TOTAL	6,675	\$218	7,654	\$227	9,045	\$256	10,339	\$249	12,121	\$261

Quality Classification

There are three main classification categories: table wine, labeled wine, and speciality grape wine (odrodove vino). Slovakia's certification and monitoring of wine and the wine producing process already conform with EU regulations and is carried out by the Research Institute for Viticulture and Enology in Bratislava (see contact information at the end of this report). Importers of wine have to register their imports at this institute and provide equivalent certificates or undergo Slovak testing and certification.

Packaging

Glass accounts for nearly 100% of packaging for wine although there are some wines in Tetra Pack boxes at the low end of the market. Labeling in Slovak is mandatory but can be done as a stick on label to the bottle.

Miniatures are less widely available in Slovakia than in the West, although they are used within the hotel industry.

Trends

White wine continues to be the most popular wine class, while sales of red wine declined in 2000 and 2001. Rosé wine is the fastest growing class of wine although it remains a speciality product. Rose is often presented as a luxury product and therefore commands higher prices, especially since most of the rosé sold in Slovakia is imported. The market share of sparkling wines increased slightly in 2001 to 16% and growth in this product class is expected to continue.

The single most popular red wine is Frankovka, which is a burgundy-type wine. Apart from tradition, it is also popular because it is affordable. Frankovka as well as other relatively inexpensive local varieties have shown a gradual decline in sales. However, sales of Cabernet Sauvignon have increased due to the emergence of more discerning and more demanding consumers.

In white wines, the trends were roughly similar, with central European types accounting for around half of volume sales. The favorite white is Chardonnay, with roughly one quarter of the sales share by volume, followed by Riesling and Veltinske zelene.

Consumers are gradually beginning to prefer relatively light, sweet white wines. One popular domestic white variety is the Tokaj wine, which is also produced in larger quantities in neighboring Hungary.

Prices

In 2001, the average retail prices for bottled white wine was only 61.71 SKK (\$1.45). Wine prices have increased slightly in recently years and higher quality wines offered in retail wine stores typically have prices between 280 to 800 SKK (\$6 - \$17).

	1999	2000	2001
Average prices paid to agricultural producers for must grapes, SKK/t	11,507	12,532	12,430
Average retail prices of bottled white wine, SKK/l	57,47	59.31	61.71

Source: Vini...hroznorodó, hroznové v±no, November 2002

(www.vuepp.sk/komodity/II.polrot/vino2.pdf)

Importing and Taxation

Import duties make the prices of imported alcohol significantly higher than those of domestically manufactured products. Thus the Slovak alcohol market relies almost completely, in many product areas, on domestically produced drinks or products from the Czech Republic. Czech products are not subject to any import duty under the provisions of the customs union, which was created after the break-up of the federation in 1993. The only sanctions either country could mount in order to protect their markets, were quotas.

The value added tax (VAT) rate for wine is 20%.

The excise tax for wine is (in SKK):

- | | |
|---|---------------|
| - Still wine | 0/ hl |
| - Sparkling wine with alcohol content over 8.5 % is | SKK 2,400/ hl |
| - Sparkling wine with alcohol content less or equal to 8.5 % is | SKK 1,700/ hl |
| - Semi products | SKK 2,400/ hl |

The customs authorities both collect customs duties and are administrators of value added tax (VAT) for imports. The import VAT is based on the total of the customs value of the goods plus customs duty plus excise duty.

Additionally, according to law No. 434/2002, par. 9, when importing wine, certification is required that the wine fulfills U.S. quality requirements.

Current Slovak Import Duties for Wine, 2003

Commodity	Maximum WTO Duties (MFN Countries)
Wine in bottles up to 2 liters	30.0%
Wines above 2 liters	75.0%
Wine must	30.0%
Champaign wine	30.0%

Source: Vini...hroznorodó, hroznové v±no, November 2002
www.vuepp.sk/komodity/II.polrot/vino2.pdf

Customs Duties Will Go Down With EU Accession in 2004

EU Import Duties	
Commodity	Euro Per Hectoliter
Wine, less than 13 percent alcohol by volume	13.1
Wine, 13 to 15 percent alcohol by volume	15.4
Sparkling Wine	32

Imports in Hectoliters (hl)

	1999	2000	2001
Wine in bottles up to 2 liters	18,269	24,134	30,026
Wines above 2 liters	58,739	164,322	130,377
Wine musts	735	423	0
Champaign wine	2,326	944	1,260

Source: Vini...hroznorodó, hroznové v±no, November 2002
www.vuepp.sk/komodity/II.polrot/vino2.pdf

Main supplying countries, 2001

	Amount in hl	Value in SKK
Italy	59,929	78,054
Austria	47,055	48,034
France	28,501	23,313
Hungary	25,456	45,725
Czech Republic	10,141	36,384

Source: Vini...hroznorodó, hroznové v±no, November 2002
www.vuepp.sk/komodity/II.polrot/vino2.pdf

Exports

Bulk exports of Slovak wine increased from 23,951 hl in 1999 to 65,129 hl in 2001. Exports of bottled wine have been fairly stable. The main outlet market for Slovak wine is the Czech Republic. As to the total foreign trade with wine in 2001, the Slovak Republic is a net importer of about 54 482 hl.

Exports in hl

	1999	2000	2001
Wine up to 2 l	39,324	33,060	37,565
Wines above 2 l	23,951	18,922	65,129
Wine musts	0	0	0
Champaign wine	4,641	4,004	4,427

Source: Vini...hroznorodó, hroznové v±no, November 2002

(www.vuepp.sk/komodity/II.polrot/vino2.pdf)

Main Export Markets

	Amount in hl	Value in SKK
Czech Republic	104,275	261,389
Italy	207	5,194

Source: Vini...hroznorodó, hroznové v±no, November 2002

(www.vuepp.sk/komodity/II.polrot/vino2.pdf)

Characteristics of the Slovak Wine Production

Viticulture has a long tradition in Slovakia and there are six wine growing regions. Overall, productive vineyards decreased from 19,500 ha in 1998 to 12,835 ha in 2001. Grape production in 2001 amounted to 69,546 t which corresponds to an average yield of 5.4 t per ha. In 2001 total wine production reached 414,000 hl. Due to lower yields in 2002 wine production is estimated to have decreased to 315,000 hl.

State subsidies to improve wine production and to renew vineyards have risen in recent years and were 141 million Slovak Koruna (SKK) in 2002 (about \$3.3 million).

Almost 75 % of the grapes produced in Slovakia for white wine. Red wine varieties account for 20 %, Tokay varieties 3 %, and the table grape varieties 2 %. The white wine varieties Grüner Veltliner (26 %) and Welschriesling (22.4 %) are the most widespread, followed by Müller Thurgau (12.6 %), Pinot Blanc (8.3 %) and Rheinriesling (7.1 %). The most common red wine varieties are Blaufränkisch (7.8 %), St. Laurent (7.4 %), Andre (1.8 %) and Cabernet Sauvignon (0.8 %). There is also a small area of Tokaj wine production at the border to Hungary, which has recently been recognized by the EU.

Slovak Wine Production

	2000	2001	Estimate 2002
Producing vineyards area (ha)	16,330	12,835	12,832
Yield (t/ha)	3.64	5.41	3.64
Grape production (t)	59,371	69,546	45,055
Producer's supply, Jan. 1 (1000 hl)	558	524	588
Wine, must and juice import (1000 hl)	190	375	300
Domestic wine production (1000 hl)	415	414	315
Total supply (1000 hl)	1,163	1,313	1,203
Domestic wine consumption (1000 hl)	583	618	600
Wine and must export (1000 hl)	56	107	70
Total use (1000 hl)	638	725	670
Supplies, Dec. 31 (1000 hl)	524	588	533

Source: Vini... hroznorodó, hroznové víno, November 2002
www.vuepp.sk/komodity/II.polrot/vino2.pdf

Government Subsidies

Year	Area (ha)	Subsidies (1000 SKK)
1999	470	29,300
2000	400	38,102
2001	not available	82,830
estimate 2002	not available	141,105

Source: Vini...hroznorodó, hroznové víno, November 2002
www.vuepp.sk/komodity/II.polrot/vino2.pdf

Company Activity & New Products

Bohemia Sekt of Banská Bystrica launched several new products on the Slovak market in the autumn of 2000. These include Cuvee Charmante demi sec, which was launched in October 2000. This is a semi-sweet sparkling wine that comes in 0.2-liter and 0.75-liter bottles.

A new variation of the already-established, refreshing, sparkling beverage, Avanti Clasic, which is made from raw grape juice, was launched in November 2000. Avanti clasic was labeled as a drink for “all occasions” with an alcohol content of 5.5-6% and a light, mildly sweet taste with a floral overtone.

A new addition is Avanti rosée, which is characterized by a rose petal bouquet, and is available in

a 0.75-liter bottle. Bohemia Sekt 2000 Brut, available in the 0.75-liter size, was launched in December 2000 and advertised as an outstanding sparkling wine for the millennium.

Bohemia Vinum red and white semi-dry table wines, mixed from choice varieties of Italian wines from the Abruzzi region, were launched by Bohemia Sekt in January 2001.

In August, 2000, the German company, Henkel & Sohnlein, acquired Hubert, the most significant Slovak sparkling wine producer (10 million bottles sold annually), and the controlling stake in the Czech company Bohemia Sekt, which has had a branch in Banska Bystrica, Slovakia since 1998.

One of the most prominent companies, Malokarpatsky Vinarsky Podnik of Pazinok, in the so-called Carpathian Wine Route, was declared bankrupt and put up for sale at the end of 1999, and then again in May 2000.

Exchange rate note: The average 2002 exchange rate was SKK 45.3 to \$1 USD. The rate as of February 27, 2003 was SKK 40 to \$1 USD.

Speciality wine importers:

Belvédere Slovensko s.r.o.

Timravina 13
811 06 Bratislava
tel: 00421 2 544 14 822
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e-mail: belveder@netax.sk
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SLOWIN Bratislava sro

178, Kvetoslavov
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Phone numbers:
+421/31/5625376
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Alit s.r.o. (Import and distribution of wine)

Ivánska cesta 10, 821 04 Bratislava
Slovak Republic
Phone number: +421/2/424 11 280
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Main Hypermarket chains:

Ahold Retail Slovakia

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